

[Oil](#) | [Agriculture](#) | [Metals](#) | [Carbon & Power](#) | [Dry Freight](#)

*Click on headers to go to that section*

## Top News - Oil

### Equinor injects \$3.7 bln into its energy trading business

Energy trader Danske Commodities has received a 3.5 billion euro (\$3.7 billion) capital injection from parent company Equinor to boost liquidity and fund growth as it contends with highly volatile energy markets.

Soaring energy prices and extreme market volatility have forced multiple European utilities and traders to secure extra funds to cover margin call requirements.

"When prices go up, so does the size of margin calls on the energy exchanges," Danske Commodities' finance chief Jakob Sorensen said in a statement.

"Trading companies ... must post collateral to cover potential price fluctuations in the period from when a trade is struck to when the energy is actually delivered."

Danske Commodities, which posted a six-fold rise in 2021 operating profits to record levels, told Reuters it expected another record year for 2022 and aimed to continue to grow its business.

"As such, the capital injection underlines our growth ambitions, the synergies we gain from being part of Equinor and our commitment to contributing to functioning energy markets," it said in a written comment.

Equinor's gas and power chief Helge Haugane, who also chairs Danske Commodities, said he was pleased with Danske's performance.

"We are glad to make this capital injection to further strengthen Danske Commodities' position in a market environment which requires a high degree of solidity and liquidity to function as well as to prepare for continued growth," he said in the statement.

Danske, which trades in 40 markets worldwide, said in September it had secured extra funds from Equinor at a time when margin calls soared to record highs in Europe. Equinor, majority owned by the Norwegian state, has become Europe's largest supplier of natural gas, giving it record profits after a sharp drop in pipeline volumes from Russia's Gazprom since the start of the Ukraine war. European gas importers have so far been the biggest corporate victims of the energy crisis, with Germany's Uniper costing the government more than 50 billion euros to date and facing de facto nationalisation.

### Environmentalists sue to stop U.S. oil and gas auction off Alaska coast

Environmental groups sued the Biden administration on Wednesday to block a sale of oil and gas drilling rights off the coast of Alaska that is scheduled for next week.

The legal action, filed in federal court in Alaska, comes as the Interior Department is preparing to offer nearly 1 million acres in the Cook Inlet on Dec. 30. The sale was among the concessions to the oil and gas sector included in President Joe Biden's climate change law, the Inflation Reduction Act (IRA).

Under the law, the administration is required to hold the sale by Dec. 31. Interior had scrapped the Cook Inlet sale this year before the IRA passed, citing a lack of industry interest.

An Interior Department spokesperson declined to comment on the lawsuit.

The groups suing the administration are Cook Inletkeeper, Alaska Community Action on Toxics, Center for Biological Diversity, Kachemak Bay Conservation Society and Natural Resources Defense Council.

In the complaint, the groups alleged the sale's environmental review violated federal environmental laws by not adequately considering its impact on climate change as well as consequences for threatened species such as the Cook Inlet beluga whale and humpback whales.

The groups are asking the court to vacate the environmental review and any leases that are executed following the sale.

"Cook Inlet is already experiencing severe effects of climate change, and new oil and gas leasing will only magnify those harms," the complaint said.

Cook Inlet stretches 180 miles (290 km) from Anchorage to the Gulf of Alaska.

The federal government has held several oil and gas lease sales in the Cook Inlet since the 1970s, but no production has occurred in federal waters to date, according to the sale's environmental review. There are currently 14 active federal leases there, all owned by Hilcorp. Operating oil and gas platforms in the area are all in state waters, but oil production has declined substantially since peaking in the 1970s.

Top News - Agriculture

**INSIGHT-Hybrid wheat hitting U.S. fields as war, climate threaten global food supplies**

Global seed maker Syngenta will release a new type of wheat developed with complex cross-breeding techniques in the United States next year, beating out rival companies that are also trying to develop higher yielding wheat at a time of diminishing global grain supplies.

The hybrid wheat, which combines positive traits from two parent plants, arrives after severe weather slashed grain harvests and the Ukraine war disrupted shipments to hungry importers, sending prices to record highs this spring.

Syngenta, which began working on hybrid wheat in 2010, told Reuters enough seeds will be on the market next year for U.S. farmers to plant about 5,000 to 7,000 acres. Though a tiny fraction of the nation's plantings, the previously unreported total represents the company's biggest ever release of hybrid wheat. It could open the door for larger seedings in 2024 and beyond, as war and climate change make the world's food supplies increasingly vulnerable.

Growers of corn and other crops like barley have long benefited from hybrid seeds boosting yields. The road to market has been extra slow for wheat because the development process is more costly and difficult, and companies saw lower potential for returns, researchers said.

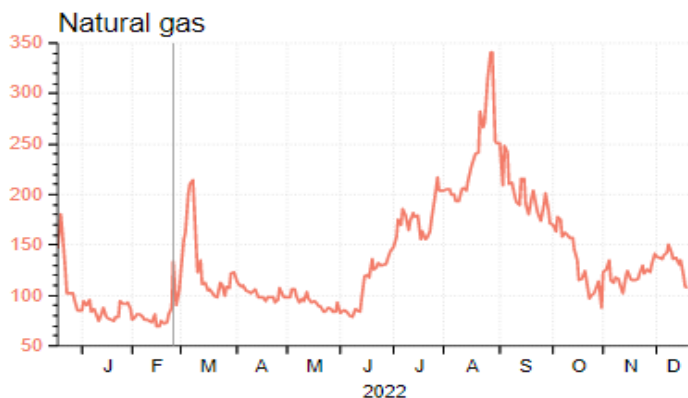
Benefits of the new crop are still not certain. Three independent seed companies that produced hybrid wheat this year under agreements with Syngenta told Reuters they were unsure the crop will deliver game-changing results for growers. They added that it will take longer to determine how to cost effectively produce the best seeds. Syngenta's French unit told Reuters the company postponed the launch of a similar type of wheat tested in France following disappointing results. The U.S. and French hybrids were tailored for local growing conditions, which can include threats from plant diseases and the need to meet quality standards for milling and baking, the company said.

Chinese-owned Syngenta said its U.S. wheat, to be sold under the AgriPro brand, could increase yields by as

Chart of the Day

The price of war

Ukraine war drove dramatic moves in energy and grain markets



Source: Refinitiv Datastream | Marc Jones @marcjonesrtrs

much as 12% to 15% and make crops more stable, adding that it is attracting strong interest from farmers. Wheat "is the only major food crop that has not yet benefited from significant technification. Hybrids will change this," said Jon Rich, Syngenta Seeds' head of North America cereals operations.

#### NEARLY 100 YEARS

Farmers have used hybrid seeds since the 1930s to grow corn, followed by other crops ranging from peanuts to tomatoes. Hybrid corn helped U.S. yields climb from 20 bushels per acre in 1930 to 140 bushels by the mid-1990s. By 1960, 95% of U.S. corn acres were planted with hybrid seed.

"Corn is really easy to do," said Charlie Vogel, chief executive officer of the Minnesota Association of Wheat Growers. "It's really hard with wheat so you need ideal conditions for the seeding."

Other major global seed companies including Bayer AG and BASF SE are developing hybrid wheat but are several years behind Syngenta. Unlike genetic modification, crop hybridization has not caused controversy among consumers. While widely used in soy and corn crops fed to livestock, changing plant genes has long been taboo for wheat that is made into bread and pasta.

Even so, Argentine startup Bioceres has gained varying levels of approvals for drought-resistant genetically modified wheat in Brazil, Nigeria, Australia and New Zealand, betting on rising consumer acceptance as the world struggles to feed a growing population faced with increasingly severe weather.

Producing hybrid wheat seeds is still more complicated and expensive than conventional wheat. That means farmers who plant the crop must see significantly improved harvests to justify higher seed prices, seed producers said.

Harvests must also improve enough to convince farmers to buy new hybrid seeds each year, instead of saving wheat from previous harvests as many do with conventional seeds, researchers said.

In Park River, North Dakota, Hankey Seed Company grew Syngenta's hybrid wheat seeds on 30 acres and also produced the crop for grain on 80 acres as a test for future customers, owner Dave Hankey said. He planted the wheat grown for grain on his best soil and said it produced his best yield.

"It will be considerably more expensive and I probably don't have real good data to show that it will be worth the extra expense," Hankey said.

Hybrid wheat can produce more uniform results across fields than conventional wheat, and may deliver better yields on poor soil, Hankey said. He declined to talk specifics due to a nondisclosure agreement with Syngenta.

To produce hybrid seeds, Hankey said he planted a mixture of male and female plants in his fields and then

surrounded them with a border of male plants to ensure their pollen was the only pollen available to the females. Hankey even hired a crop duster to fly over half of his 30 acres to test whether the plane would move more pollen around in the air and improve fertilization. He said he did not notice a difference.

"You just plain need the right, light wind - not too much, not too little - for that pollen to waft across right at the time when the female plant is opened up ready to receive it," said Kevin Capistran, co-owner of Capistran Seed Company in Minnesota who also produced Syngenta's hybrid wheat seeds.

Another company, Noeske Seed Farm in Valley City, North Dakota, said it grew 80 acres of Syngenta's hybrid wheat for grain. Yields were unremarkable, though the crop was planted late due to excessive rains, a representative said.

#### "EVERYONE IS WORKING ON IT"

The U.S. farmers who grow hybrid wheat next year will connect directly with Syngenta Seeds to provide crop data the company will use to improve subsequent hybrids, ahead of a full commercial launch in 2024, Syngenta said. Farmers will receive a discount on seeds to encourage feedback, the company said.

"We understand the uncertainty that some farmers may have, especially when the industry has attempted to make hybrid wheat viable in decades past," Syngenta's Rich said.

Syngenta projected in 2015 that its annual sales of hybrid wheat seeds could potentially reach \$3 billion by 2032. It declined to provide an updated forecast.

Syngenta's French unit said it hopes to market a variety of hybrid wheat in France in 2025, after its first hybrids there failed to reach yield targets in trials during a hot, dry year. The company said that while the first hybrids "matched the best results on the market, we need to go beyond that."

The world's wheat stockpile is projected to shrink to a mere 98-day inventory by the end of the 2022/2023 marketing year, the lowest in eight years, according to U.S. government data.

Germany's BASF plans to launch hybrid wheat seeds, known as Ideltis, in Europe, the United States and Canada in the second half of the decade, said Peter Eckes, president of research and development for BASF Agricultural Solutions.

Bayer, meanwhile, said its hybrid wheat will also be released "by the later part of this decade," and that it has seen yield increases of about 15% or more in trials. The company ramped up development work over the last three years and the Ukraine crisis has amplified supply concerns, said Frank Terhorst, Bayer Crop Science's head of strategy and sustainability.

"Hybrid wheat has been a dream of seed developers since the 1950s," said Claude Tabel, former president of French seed makers association UFS. "Everyone is working on it."

### India extends halt on futures trade in key farm commodities by a year

India's market regulator extended the suspension of trading in derivative contracts of key farm commodities by a year as the world's biggest importer of vegetable oils, and a major producer of wheat and rice, tries to tame food inflation.

The Securities and Exchange Board of India (SEBI) had last year ordered a year-long suspension of futures trading in key farm commodities, a dramatic step since allowing futures trading in 2003.

In a notification issued late on Tuesday, SEBI said the suspension of trading in futures contracts would continue until Dec. 20, 2023, on soybean and its derivatives, crude palm oil, wheat, paddy rice, chickpea, green gram and rapeseed mustard.

The extension surprised the market participants who were expecting trading to resume after annual retail inflation eased in November below the central bank's upper tolerance level for the first time this year amid a softer rise in food prices.

The industry was eagerly expecting the government to lift the suspension, particularly in commodities such as palm oil and soyoil, where prices follow the movements in global markets, said B.V. Mehta, executive director of The Solvent Extractors' Association of India.

"The extension to suspension is a setback. Trade and industry will be deprived of hedging and price discovery mechanism for smooth business operation and will be exposed to price volatility," Mehta said.

India fulfills nearly two-third of its edible oil requirement through the imports.

The rally in vegetable oil prices earlier this year to a record after suspending soyoil and palm oil futures proved that derivatives were not responsible for the price rise, said a Mumbai-based dealer with a global trade house.

"Many vegetable oil refiners and traders lost money in 2022 due to historic volatility in prices. They didn't have a tool to hedge their risk," the dealer said.

Malaysian palm oil futures rallied to a record high in March, surpassing 7,200 ringgit (\$1,624), after Russia's invasion of Ukraine triggered a global edible oil shortage. Prices have nearly halved since.

India's National Commodity And Derivatives Exchange (NCDEX), which derives most of its volume from trading in farm commodities, was the most affected by the government's decision, followed by the Multi Commodity Exchange. Shares of MCX were down 2.8% on Wednesday.

In 2022, India banned wheat exports and restricted exports of sugar and rice to calm local prices.

<b>MARKET MONITOR as of 07:38 GMT</b>			
<b>Contract</b>	<b>Last</b>	<b>Change</b>	<b>YTD</b>
NYMEX Light Crude	\$78.57 / bbl	0.36%	4.47%
NYMEX RBOB Gasoline	\$2.28 / gallon	0.49%	2.30%
ICE Gas Oil	\$899.75 / tonne	0.95%	34.90%
NYMEX Natural Gas	\$5.46 / mmBtu	2.36%	46.33%
Spot Gold	\$1,814.50 / ounce	0.02%	-0.76%
TRPC coal API 2 / Dec, 22	\$225 / tonne	-3.85%	82.93%
Carbon ECX EUA / Dec, 23	€87.71 / tonne	-4.66%	7.53%
Dutch gas day-ahead (Pre. close)	€94.60 / Mwh	-9.65%	42.26%
CBOT Corn	\$6.63 / bushel	0.04%	11.67%
CBOT Wheat	\$7.68 / bushel	0.03%	-0.39%
Malaysia Palm Oil (3M)	RM3,878 / tonne	-2.07%	-17.44%
<b>Index (Total Return)</b>	<b>Close 21 Dec</b>	<b>Change</b>	<b>YTD Change</b>
Thomson Reuters/Jefferies CRB	299.34	1.46%	21.18%
Rogers International	28.74	1.79%	23.32%
U.S. Stocks - Dow	33,376.48	1.60%	-8.15%
U.S. Dollar Index	104.16	0.19%	8.54%
U.S. Bond Index (DJ)	398.09	0.16%	-15.79%



## Top News - Metals

### U.S. court orders California precious metals trading firm, owners to pay \$38 mln -CFTC

A U.S. district court has ordered a California precious metals operation and its owners to pay \$38 million in restitution and a civil penalty for commodity fraud and registration violations, the Commodity Futures Trading Commission said on Wednesday.

The CFTC said the order also bars Monex Deposit Co., Monex Credit Co., Newport Services Corp., and their owners, Louis Carabini and Michael Carabini from trading futures or options on a regulated market, unless it is for the purpose of hedging.

It bans the defendants from registering with the CFTC for 10 years, and permanently enjoins them from engaging in off-exchange leveraged retail commodity transactions or fraud, CFTC said.

### BHP Group signs scheme deed for \$6.4 bln buyout of OZ Minerals

Australia's OZ Minerals said on Thursday it entered into a scheme implementation deed with BHP Group in relation to the A\$9.6 billion (\$6.44 billion) takeover bid the latter made for the copper and gold producer.

The board of OZ Minerals, which has unanimously recommended the deal, said its shareholders will vote on it at a scheme meeting scheduled between late March and early April next year.

Shares of OZ Minerals are up as much as 0.9% in early trade, hitting their highest level in 11 months.

The execution of the scheme implementation deed follows the completion of a four-week exclusive due diligence period. The exclusivity period was extended this week.

In what could be the largest mining deal in Australia in 11 years, BHP made a revised cash offer of A\$28.25 per share on Nov. 18, in a bid to take advantage of rising global demand for metals used in clean energy and electric cars.

The deed would also allow OZ Minerals to pay a franked dividend to shareholders prior to the Scheme being implemented.

The cash amount of any dividends paid on or prior to implementation of the Scheme would be deducted from the A\$28.25 per share cash price payable under the Scheme.

## Top News - Carbon & Power

### FOCUS-Has green hydrogen sprung a leak?

The green hydrogen express is gathering pace, but it may have a worrying problem with leaks.

As governments and energy companies line up big bets on the much-touted fuel of the future, some scientists say the lack of data on leaks and the potential harm they could cause is a blind spot for the nascent industry.

At least four studies published this year say hydrogen loses its environmental edge when it seeps into the atmosphere. Two scientists told Reuters that if 10% leaks during its production, transportation, storage or use, the benefits of using green hydrogen over fossil fuels would be completely wiped out.

Governments are pushing ahead with financial support for the industry, however. The United States included billions of dollars of green hydrogen tax credits in its Inflation Reduction Act and the European Union approved 5.2 billion euros (\$5.5 billion) in subsidies for green hydrogen projects in September.

Scientists say the problem with hydrogen is that when it leaks into the atmosphere, it reduces the concentration of molecules that destroy the greenhouse gases already there, potentially contributing to global warming. They say the lack of technology for monitoring hydrogen leaks means there is a data gap, and more research is needed to calculate its net impact on global warming before final

investment decisions are taken. Columbia University, the Environmental Defense Fund, a joint project by the universities of Cambridge and Reading, and the Frazer-Nash Consultancy have all published studies about the risk of leaks undermining green hydrogen's climate benefits.

"We need much better data. We need much better devices to measure the leakage, and we need regulation which actually enforces the measurement of the leakage," said Anne-Sophie Corbeau, a researcher at Columbia University's Center on Global Energy Policy.

It estimates that leakage rates could reach up to 5.6% by 2050 when hydrogen is being used more widely.

Norway's climate research institute CICERO is also working on a three-and-a-half-year study due to conclude in June 2024 on the impact of hydrogen emissions. Maria Sand, who is leading the research, said there was a big gap in the science.

"We need to be aware of the leakages, we need some answers," said Sand. "There is big potential for hydrogen, we just need to know more before we make the big transition."

### MEASURED APPROACH

The hydrogen used now in oil refineries, chemicals factories and the fertiliser industry is made from natural

gas in a process that produces carbon dioxide. Green hydrogen is made by using renewable energy to split water through electrolysis, without producing greenhouse gases.

The chief attraction of using hydrogen as a fuel is that the main by-product is water vapour, along with small amounts of nitrogen oxides, making it far less polluting than fossil fuels - assuming it doesn't seep out.

Leaks are one of many issues plaguing the adoption of green hydrogen, besides high costs, safety concerns, and the need to invest in enough renewable energy to make it, as well as in the infrastructure to store and transport the colourless gas.

Last week, Brussels called for applications for funding for more research into the risks linked to a large-scale deployment of hydrogen. It asked the research to show how hydrogen could reduce global warming by replacing fossil fuels, but also how it could contribute to global warming in the event of leakages.

The Environmental Defense Fund's study, meanwhile, urged governments and businesses to gather data on hydrogen leakage rates first, then identify where the risks were highest and how to mitigate them before building the infrastructure needed.

The Frazer-Nash report also flagged how measures to prevent hydrogen leaks needed to be taken into account to allow for greater up-front and maintenance costs.

"The more we know about how to produce it in a sustainable way, and the regulation and management needed, the more it costs and therefore that limits its use unless there is no alternative," said Richard Lowes, senior associate at The Regulatory Assistance Project think-tank.

#### GREEN POTENTIAL

Scientists and analysts say that as hydrogen molecules are much smaller and lighter than those in methane, they are harder to contain. While potential leakages of hydrogen are not expected to be on a scale that could derail all green hydrogen plans, any seepage would erode its climate benefits, they say.

Almost 300 green hydrogen projects are under construction or have started up worldwide, but the vast majority are tiny demonstration plants, International Energy Agency data showed.

The largest is in China where Ningxia Baofeng Energy Group is using green hydrogen produced from solar power to make petrochemicals such as polyethylene and polypropylene.

Consultancy DNV forecasts that green hydrogen would need to meet about 12% of the world's energy demand by 2050 to hit Paris climate targets. Based on the current pace of development and DNV's modelling of future uptake, the world is only on track to reach about 4%, DNV said.

David Cebon, a professor of mechanical engineering at the University of Cambridge, said 4% might be only what's "manageable", given the huge amount of

renewable energy needed to make enough green hydrogen.

To replace the dirty hydrogen used now in refineries, fertiliser and chemical plants would require almost double the electricity produced by every wind turbine and solar panel worldwide, and that's before green hydrogen is used for anything else, such as steelmaking, transport or heating, Cebon said.

Still, the EU is considering mandates for green hydrogen's use in transport, while countries such as South Korea, Japan and China have targets for hydrogen fuel-cell vehicles.

#### LEAKY PIPES

The fossil fuel industry hopes that hydrogen could eventually move through existing infrastructure, such as gas pipelines and liquefied natural gas import and export terminals.

Hydrogen has not been monitored for leaks in the past, and most of the odourless gas used now is made where it is consumed - but there are plans to pipe and ship it vast distances.

About 1% of the natural gas, which is mostly methane, moving through European infrastructure leaks, but rates are higher in some countries including Russia, according to analysts and satellite images of leaks.

"There's a lot we don't know about hydrogen," said Sand at Norway's CICERO. "We don't know yet if we can assume it will behave the same way as methane."

Initial results of tests in pipelines at DNV's Spadeadam research site in northern England showed that hydrogen leaks in the same places and rates as natural gas.

Companies working on green hydrogen projects say, however, that careful monitoring would be needed.

Once hydrogen enters pipelines, it can weaken metal pipes which can lead to cracking. Hydrogen is also far more explosive than natural gas which could create safety issues.

Energy giant BP, which is planning to build multiple green hydrogen projects, including a facility in Britain due to start in 2025 known as HyGreen Teesside, said it was developing leakage monitoring systems.

"We really want to launch an effort now to assess how low can we maintain the level of leakage across a value chain and that's going to be the critical thing," said Felipe Arbelaez, senior vice president for hydrogen and carbon capture at BP.

#### EXCLUSIVE-India to bolster carbon trading market with stabilisation fund

India is planning a stabilisation fund to keep prices of credits in its planned carbon market above a certain threshold, ensuring that they remain attractive for investors and that the market succeeds in cutting emissions, two government sources said.

Money in the fund would be used by a market regulator to buy carbon credits if prices fell too low, one of the officials said.

Consistent investor interest in credits and a floor under the price would be needed because sharp falls in the market could discourage industries from reducing carbon dioxide emissions, that official added.

Planning envisages the market becoming fully operational in 2026, covering 37% of the country's emissions, according to slides, seen by Reuters, that the Power Ministry has shown to stakeholders. The sources said the government intended to publish the market's rules soon. Details would be announced next year, said a third person, Samrat Sengupta, vice president for new businesses and market strategy at carbon offsetter EKI Energy Ltd, which has been briefed by the government. In creating a carbon market, a country sets a limit on emissions and then allocates a corresponding quantity of tradable permits, or credits, to emitters. The quantity reduces over time. If a company wants to emit more, it can buy more credits at the market price, but it will also consider whether constraining or even cutting its emissions might more profitable.

The source said the federal government would set up the stabilisation fund. Exactly how it would work and where the money would come from was still under discussion. The second source said the World Bank had shown interest in financing the carbon market if a stabilisation mechanism were created. The bank extended an \$8 million grant to India in 2016/17.

"The World Bank continues to remain committed to support India in developing a carbon trading market and other instruments to help scale up financing for key climate transitions," it said in an email to Reuters. India's Power Ministry did not respond to a request from Reuters for comment.

The plans for creating a stabilisation fund and funding details have not been reported previously. The officials spoke on condition of anonymity.

Beginning in 2008, prices of carbon credits in other countries slumped heavily, because of that year's economic crisis and because governments had issued too many of them. In the European Union, a credit worth 1 tonne of carbon dioxide traded at just 5 euros in 2012,

down from around 30 euros in 2008, so cutting emissions was not very rewarding. But creation of a market stability reserve in 2019, among other measures, has seen the price rise to between 75 and 95 euros per tonne.

#### MARKET LANDSCAPE

The Indian market would cover emissions of carbon dioxide and also five other greenhouse gases valued in terms of their carbon dioxide equivalence, the sources said.

Power Minister R.K. Singh said last week the Central Electricity Regulatory Commission would probably be the market regulator.

In a part of the planned market to be called the compliance market, participation would be obligatory for entities in a dozen sectors, such as oil refining, steel, aluminium and cement, the sources said. Another part, the voluntary market, would be open to other entities. India already has a market for trading certificates in above-target energy savings. Entities in 13 sectors must participate.

Green energy companies formed a group in October to mediate between the government and industry. They included Adani Green, owned by billionaire Gautam Adani, Hero Future Energies, Ayana Renewable Power and global private equity major KKR's Virescent Infra. The targets for reducing each sector's emissions will be set by committees of the environment, power and renewable energy ministries, the two officials said. India's carbon market is being set up in two phases, according to the government's presentation slides. In the first phase, between 2023 and 2025, the existing energy-savings certificates will be converted to carbon credits. The government was still considering whether the new market would subsume one in which certificates for renewable energy generation are traded, the two officials said.

India has committed to cutting its ratio of greenhouse emissions to gross domestic product by 2030 to 45% of its 2005 level and to net zero by 2070.

## Top News - Dry Freight

### **COLUMN-Key coal import hubs in China perk up as economy reboots: Maguire**

China has played a diminished role in global coal markets in 2022 as the country's repeated lockdowns to stem the spread of COVID-19 curtailed industry and other coal-burning activities.

The country's total thermal coal consumption was largely flat over the first half of the year - a sharply slower growth rate compared with 2021 - while imports are on course for their largest annual contraction since at least 2017, data from Kpler shows.

Lower combined usage and imports by the world's top coal producer, consumer and importer helped offset the increase in coal demand seen in Europe and elsewhere this year, and potentially curbed the climb in overall coal emissions in 2022.

But recent measures aimed at lifting movement restrictions and reviving economic activity in China are already resulting in increased coal import activity at key usage hubs, which stand to impact global coal flows, prices and emissions in 2023.

**HOT SPOTS**

The areas with the greatest coal demand growth potential in 2023 are those that underwent the most notable usage contractions in 2022.

Guangdong - China's vast manufacturing hub along the South coast that is home to scores of major electronics manufacturers - had the largest coal consumption contraction of all provinces so far in 2022, according to data from Power Gateway.

Between January and October, the province cut thermal coal use by 51 million tonnes from the same period in 2021.

Neighbouring Guangxi - a major textiles hub and producer of fertilizers, diesel engines and steel - cut its use by 45 million tonnes, while nearby Guizhou cut coal use by another 33 million tonnes.

The country's northeastern industrial corridor - home to several carmakers, shipbuilders and chemical plants - also saw several steep cuts to thermal coal use this year, including by 36 million tonnes in Liaoning province and by 24 million tonnes in Heilongjiang.

**IMPORT IMPACT**

While China takes care of roughly 90% of its total coal needs from domestic production, many of the key usage hubs noted above are heavily import dependent due to being situated far from major coal mining centers but close to major port facilities.

Guangdong's Guangzhou port, which was China's main coal import entry point in 2021, is nearly equidistant from the country's largest coal pits in Inner Mongolia as it is from Indonesia, the world's top thermal coal exporter.

As a result, many Southern China coal plants are almost overwhelmingly reliant on imported coal.

And all major coal ports in that region are now starting to show signs of a recovery in coal import volumes compared with mid-2022, when lockdowns were common throughout the country.

Over the first eight months of 2022, coal import volumes through Guangzhou port were down 41% from the same period in 2021, as COVID restrictions snuffed out demand for power fuel, ship-tracking data from Kpler shows.

Since September, Guangzhou coal volumes are running 13% ahead of the year-ago pace, and look set to finish the year strongly.

Similar recovery patterns are also underway at Fangcheng and Qinzhou ports in Guangxi province.

In the country's northeast, coal traffic has yet to recover to the same extent as in the South, in part due to the slower easing of COVID movement restrictions in the colder North than in the South, and also because of better transport links with domestic coal suppliers.

However, as authorities across China move to ease COVID restrictions and resuscitate economic activity, greater demand for coal to generate power can be expected.

And much of that increased coal demand will be fulfilled by imports, which will serve to tighten global coal markets, boost China's coal sector emissions, and potentially raise prices for other coal consumers.

**Dozens of merchant ships stuck off Iran as payment snags bite – sources**

Dozens of merchant ships with grains and sugar are stuck outside Iranian ports after weeks of delays as payments snags disrupt flows of goods into the country, according to trade sources and shipping data.

Food is exempt from the West's sanctions on Iran over its nuclear programme, but the impact of the sanctions on Iran's financial system have created complex and erratic payment arrangements with international companies.

The latest payment issues have led to ships being unable to discharge cargoes, with at least 40 bulk carrier ships stuck outside the major Iranian ports of Bandar Imam Khomeini and Bandar Abbas, ship tracking data on Refinitiv showed.

Iran's foreign ministry was not immediately available for comment.

Iran's Ports and Maritime Organisation said in a report in November that some 37 ships loaded with 2.2 million tonnes of goods had not been able to unload due to "documentation and hard currency payment issues" at Bandar Imam Khomeini.

Food security is a priority for Iran and the need for imports has increased because of a drought which has hit domestic food production for two seasons in a row.

Iran is expected to import 5.5 million tonnes of wheat in 2022/23 season (July/June), down from 8.0 million in the prior season but still well above normal levels, based on U.S. Department of Agriculture data.

In the previous five seasons, imports had averaged just 1.1 million tonnes, the data showed.

Iran has been rocked by months of unrest, in which demonstrators from all walks of life have called for the fall of Tehran's ruling theocracy, and has posed one of the biggest challenges to the Shi'ite-ruled Islamic Republic since its 1979 revolution.

One Western trade source familiar with the matter estimated that the cargoes stuck outside Iran's port are worth more than \$1 billion with charterers of the cargoes also facing delay costs known as demurrage.

Broker Paragon Global Markets (PGM) said it was not clear how many of the vessels might have sugar cargoes onboard.

"That is potentially bearish if a large buyer can't find money, then that could leave a large quantity of sugar trying to find a home," PGM said in a note.

Iran's sugar imports are expected to total 1.1 million tonnes in the 2022/23 season (October/September), slightly down from 1.3 million in the prior season, according to the International Sugar Organization.



## Picture of the Day



*An EDF employee works at French utility EDF's Penly Nuclear Power Plant in Petit-Caux, near Dieppe, France, December 9. REUTERS/Benoit Tessier*

(Inside Commodities is compiled by Sandhra Sam in Bengaluru)

For questions or comments about this report, contact: [commodity.briefs@thomsonreuters.com](mailto:commodity.briefs@thomsonreuters.com)

To subscribe to Inside Commodities newsletter, [click here](#).

© 2022 Refinitiv. All rights reserved.

Refinitiv  
28 Liberty Street, New York, NY 10005

Please visit: [Refinitiv](#) for more information.

[Privacy statement](#)

REFINITIV® 

An LSEG Business